

Memorandum

Date : JUN 03 2008

To : Duncan Fallon
Assistant Secretary
Office of Labor Relations

Subject : **MANAGEMENT LETTER – RELEASE TIME BANK AND UNION-PAID LEAVE - A
CONTROL RISK ASSESSMENT REVIEW**

The Office of Audits and Compliance's Audits Branch completed a pilot control-risk-assessment review (Review) of the Release Time Bank (RTB), and Union-Paid Leave (UPL) Program implemented under Article 10.13, RTB, and Article 10.14, UPL, of the Memorandum of Understanding (MOU) between the California Department of Corrections and Rehabilitations (CDCR) and the California Correctional Peace Officers Association (CCPOA). This pilot Review was conducted in coordination with the Office of Labor Relations (OLR), the Accounting Office, and Personnel Offices at headquarters.

This is not an audit engagement; the Audits Branch is taking a consultation and facilitation role using a Control Risk Assessment¹ Matrix to conduct individual and joint assessment sessions with key personnel at the OLR and Accounting Office at headquarters.

This management letter presents the results of the Review of CCPOA rank and file RTB and UPL activities.

¹ The Audits Branch adopts the "Control Self-Assessment" (CSA) model in conducting our Control-Risk-Assessment session. The Institute of Internal Auditors (IIA) defines CSA as "a process through which internal control effectiveness is examined and assessed. The objective is to provide reasonable assurance that all business objectives will be met. The responsibility for the process is shared among all employees in an organization. CSA is conducted within a structured environment.... The CSA process allows management and/or work teams directly responsible for a business function to:

- Participate in the assessment of internal control.
- Evaluate risk.
- Develop a corrective action plan to address identified weakness.
- Assess the likelihood of achieving business objectives."

Background Information

Union Leave

California Government Code, Section 3518.5, states: "A reasonable number of employee representatives of recognized employee organizations shall be granted reasonable time off without loss of compensation or other benefits when formally meeting and conferring with representatives of the State on matters within the scope of representation."

Each recognized employee organization negotiated with the State employer for the amount and type of release time as part of the agreed upon provisions in its MOU.

CCPOA MOU

MOU, Article 10.13, RTB, and Article 10.14, UPL provided specific provisions agreed upon between CCPOA and CDCR.

The following provisions are presented as Exhibit I of this Management Letter.

- Article 10.13.A, Release Time Bank
- Article 10.13.B, Establishing the Bank
- Article 10.13.C, Withdrawal From the Bank
- Article 10.14, UPL

The Office of the Inspector General (OIG) Report

The OIG, in its follow-up review, "Accountability Audit", dated April 2008, on CCPOA Union Leave, states: "While the CDCR has made substantial progress developing policies and procedures to improve its ability to effectively manage union leave, several OIG recommendations have yet to be fully implemented:

- Complete monthly internal reconciliations of union leave time.
- Regularly reconcile the release time balance with the union's records.
- Conduct periodic audits to ensure that time is recorded accurately and union leave time is periodically reconciled."

"... the OIG recommends that the CDCR take the following actions:

Continue its efforts to fully implement a system to internally reconcile union leave time on a monthly basis.

In conjunction with the CCPOA develop uniform policies and procedures that facilitate reconciling the release time bank balance each quarter with the union's records.

Conduct periodic audits to ensure that time is recorded accurately and union leave time is reconciled monthly.

Once a new contract is negotiated for Bargaining Unit 6, reconsider the need for requesting legislative funding for union issues addressed in labor contracts, such as compensation for Bargaining Unit 6 executive vice presidents and chapter presidents."

OBJECTIVES

The objectives of the Review are to:

- Determine whether appropriate corrective actions were taken to implement the OIG report recommendations.
- Review management (internal) control policies and procedures to ensure compliance with the MOU provisions and applicable rules and guidelines governing the RTB, and UPL activities.

SCOPE AND METHODOLOGY

This Review is not an audit engagement. The scope and methodology utilized do not constitute an audit of the Bargaining Unit 6 Release Time Bank, and Union-Paid Leave Recording Systems (System).

The Audits Branch does not express an opinion on the legality and propriety of the System's activities and transactions nor the System taken as a whole.

The Audits Branch conducted the following procedures:

1. Facilitate control-risk-assessment sessions with active participation from OLR and Accounting at headquarters using control risk matrix to identify risks and controls for mitigation.
2. Reviewed and recommended, in consultation with OLR, management (internal) control policies and procedures to ensure the Department's compliance with applicable rules and regulations governing the administration of the RTB, and UPL activities, including but is not limited to the Bargaining Unit 6, MOU, Articles 10.13 and 10.14.

CONCLUSION, RECOMMENDATION, AND ACKNOWLEDGEMENT

CCPOA Impasse - Impact on RTB Reconciliation

The Audits Branch is pleased to report that CDCR has enhanced communication with CCPOA breaking the lengthy and impasse. With this key accomplishment, the RTB differences between CDCR and CCPOA remained a work-in-progress since July 1, 2005.

During the impasse, the OLR continued to honor CCPOA's RTB withdrawal requests. OLR unilaterally converted some of the RTB withdrawal requests to UPL when the RTB records show negative balances.

The Audits Branch concluded that the unilateral conversion of RTB withdrawal to UPL may compromise the OLR's on-going RTB reconciliation process with CCPOA.

Vacation and Leave Activities Reporting

Although there is a recent agreement with CCPOA on the attendance reporting issue, the reporting of vacation and leave activities for CCPOA members on long-term UPL remained unresolved.

The Audits Branch recommends that the OLR:

1. Reverse all converted UPL back to RTB withdrawals before proceeding to reconcile with CCPOA's RTB records.
2. Negotiate with CCPOA for a practical solution to report employees' vacation and leave activities.

The Audits Branch held an exit conference with the Office of Labor Relations (OLR) and Accounting Services on May 30, 2008.

The OLR agreed to provide the Audits Branch with comments on the issues discussed in Attachment A, Observations and Recommendations, within 30 days from the date of this management letter. The Audits Branch may conduct a follow-up review in six months from the date of this management letter. Follow-up reviews are required under the State Administrative Manual (SAM) Section 20000.

For detail discussion of reversing the converted UPL, vacation activities reporting, please refer to:

- Attachment A, Observations and Recommendations: and
- Exhibit I, CCPOA MOU Provisions, Article 10.13, Release Time Bank, Article 10.14, UPL.

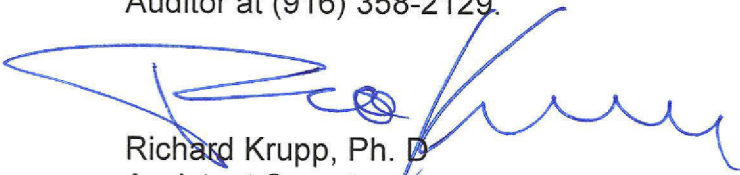
The Audits Branch held an exit conference with the OLR and Accounting Services on May 30, 2008.

OLR agreed to provide the Audits Branch with comments on the issues discussed in Attachment A. Observations and Recommendations, within 30 days from the date of this management letter.

The Audits Branch may conduct a follow-up review six months from the date of this management letter. Follow-up reviews are required under the SAM, Section 20000.

The Audits Branch would like to express our appreciation and to recognize the corporative efforts and contributions made by personnel at OLR and Accounting at headquarters throughout this review.

If you have any questions, please contact Kenneth Mak, of the Office of Audits and Compliance, CPA, Senior Management Auditor, at (916) 358-2373 or Patricia Weatherspoon, of the Office of Audits and Compliance, Senior Management Auditor at (916) 358-2129.



Richard Krupp, Ph. D.
Assistant Secretary
Office of Audits and Compliance

Attachment

cc: David Runnels, Office of the Secretary, Operations
Heidi Lackner, Division of Support Services
Margie McCune, Office of Labor Relations
Robyn Loeffler, Office of Labor Relations
Liz Amaral, Office of Labor Relations
Tim Gilpin, Accounting Services
Annemarie Reno, Accounting Services
Gayle Fifield, Accounting Services
Patricia Weatherspoon, Office of Audits and Compliance
Ken Mak, Office of Audits and Compliance